

investor with a speculative tendency, or to prudent capitalists who, possessing such ample means that any investment in these fluctuating securities bears but a moderate proportion to their entire resources, can afford to sustain the recurrent changes to which such securities are continually liable.

The present place appears to be as fitting an opportunity as any to mention an error common among investors, and the remarks submitted apply generally. The source of numberless mistakes in judgment and action (founded as they should be on exactness of knowledge) consists of terms improperly employed. Precision of language is correlative with accuracy of thought, and accuracy of thought finds its expression in correctness of judgment. Thus, the term "interest"<sup>1</sup> should be restricted to any return on capital which is of a fixed quantity, as, for example, the interest upon Debenture Stock, and upon an advance on mortgage; while the term "dividend"<sup>2</sup> should apply to any return which is of a variable amount (or ratio); thus the ordinary stock of a railway participates in the surplus revenue which remains after the interest on the prior obligations (possessing a superiority of secured position) has been satisfied; and hence, as this surplus varies from half-year to half-year (with the financial working of the line), the amount (per share) distributed to the ordinary capital is not uniform; it is accordingly rightly named "dividend," or that which remains to be divided. In the same manner the word "dividend" should be used for the return received upon the ordinary capital of a commercial company. I remember that a corporation once held some of the obligations of a foreign railway (corresponding to our Debenture Stock) with a fixed rate of *interest*. A friend of the corporation obtained authentic information that, at its ensuing account, the railway would be

<sup>1</sup> Interest: profit, advantage ; apparently a substantive use of the Latin *interest*, it matters, it concerns, it is profitable. The word embodies the relation of being objectively concerned in something, by having a right or title to, a claim upon, or a share in, money paid for the use of money lent.

The remuneration given for the use of capital.

<sup>2</sup> Dividend: Latin *dividendum*, that which is to be divided, from *dividere*, to cut into two or more parts. Consequently each share depends upon the total to be distributed, and the number of shares into which it has to be parted.